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# Congress of the United States

## U.S. House of Representatives

### COMMITTEE ON WAYS AND MEANS

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September 29, 2006

### Dissenting Views on HR 6134

### "Health Opportunity Patient Empowerment Act of 2006"

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*Get your facts first, then you can distort them as you please. (Mark Twain)*

Passage of HR 6134 is reckless and inappropriate. Health Savings Accounts (HSAs) have only been available since 2004 and we have limited information about the effect of these products on the insurance market. Neither the Department of Treasury nor the Joint Committee on Taxation were able to provide any evidence at the mark-up of HR 6134 that the changes made in the bill are warranted. Before we allocate an additional billion dollars to expand HSAs,<sup>1</sup> Congress should have more information. Furthermore, given the potential of HSAs to displace or otherwise undermine more comprehensive health insurance benefits offered through employers – which cover nearly 60% of the working population – Congress should not create additional incentives to proliferate these schemes.

Preliminary analysis by the Government Accountability Office (GAO) – the only independent source to review available IRS data from tax returns – shows that HSAs primarily benefit individuals in the highest tax bracket.<sup>2</sup> Specifically, the GAO found that the average adjusted gross income of tax filers reporting HSA contributions in 2004 was \$133,000, compared to \$51,000 for all tax filers under age 65 in 2004. The GAO also found that more than half of tax filers with HSAs in 2004 did not make any withdrawals, indicating that these accounts are used primarily as a tax shelter. Another survey found that 20 percent of employers admit that they established HSAs primarily as a tax shelter for their workers.<sup>3</sup>

Proponents of HSAs often claim that they will help the uninsured. They cite data from the insurance industry showing approximately one-third of the people enrolling in high-deductible health insurance plans that qualify for an HSA were previously uninsured. But this finding is not unique to high-deductible/HSA plans; it is true for all plans purchased through the individual and small group market. Indeed, the number of people in the United States without health insurance has *increased* by two million since HSAs took effect in 2004, and the most recent data from the Census Bureau indicate that nearly 47 million Americans are uninsured, a disgraceful new record.

Not surprisingly, the Joint Committee on Taxation (JCT) estimates that HR 6134 will do virtually nothing to help the uninsured, having only a "negligible effect" on the number of people with health insurance.<sup>4</sup>

<sup>1</sup> Joint Committee on Taxation estimate of HR 6134, September 25, 2006.

<sup>2</sup> Government Accountability Office, GAO 06-798: "Consumer-Directed Health Plans. Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans." Washington, DC; August 2006.

<sup>3</sup> Mercer Human Resources Consulting, "2005 National Survey of Employer-Sponsored Health Plans." Washington, DC; April 3, 2006.

<sup>4</sup> Joint Committee on Taxation estimate of HR 6134, September 25, 2006.

Moreover, the JCT also estimates that HR 6134 will result in just 300,000 additional people opening an HSA over the next 10 years, further stating that "almost all of these accountholders would have been previously insured."<sup>5</sup> Thus, rather than providing assistance to those truly in need, HR 6134 gives an additional tax break to people who already have health insurance. In the current fiscal environment and in light of other more pressing matters before this Congress, we believe it is irresponsible to give an additional billion dollars in tax breaks to top wage earners.

In these waning days of the 109<sup>th</sup> Congress, there are much better ways to spend \$1 billion. As Rep. Becerra highlighted during the mark-up, if Congress does not act to supplement funding for the State Children's Health Insurance Program (S-CHIP), 600,000 children across America will likely lose their health insurance coverage next year. The S-CHIP shortfall would cost less than the \$1 billion being spent on HR 6134. Maintaining health insurance for children is a much more important endeavor than providing yet another tax-preferred savings vehicle that will primarily benefit the rich.

Even if we were inclined to support the legislation – which we are not – it would still be too soon to act. Although tax records are available from 2004 – the first year HSAs were available – the Department of the Treasury has repeatedly refused to release data that would inform the debate on HSAs. Nor has Treasury released the assumptions behind their budget estimates on HSAs despite our repeated annual written requests.<sup>6</sup> Again, it is wrong for Congress to expand this new, untested program without a more complete picture of its beneficiaries and the broader implications of HSAs.

The single positive outcome of the Committee action on HR 6134 is that we have received a commitment from the Chairman to make a joint request to the Treasury to release the IRS data on HSAs for 2004 and, even if preliminary, 2005. As Thomas Jefferson said, "Information is the currency of democracy." We look forward to working with the Chairman in this endeavor.

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<sup>5</sup> *ibid*

<sup>6</sup> Congressman Stark Letter to Secretary Snow, Department of the Treasury, February 8, 2005 and Congressmen McDermott and Stark Letter to Secretary Snow, Department of the Treasury, February 17, 2006.

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**Dissenting Views on H.R. 6134  
"Health Opportunity Patient Empowerment Act of 2006"**

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